Argent Energy Limited

Annual report and financial statements

Registered number 05455240

31 December 2019

Contents

Company information

Directors	A W Dane (appointed 12th March 2019) N Dean (appointed 12th March 2019) E P Rietkerk (appointed 12th March 2019) H Matthews (appointed 12th March 2019) D W Posnett (appointed 12th March 2019) M W Scott (appointed 12th March 2019) J A R Boyd (resigned 12th March 2019) J B Rae-Smith (resigned 12th March 2019) C H Acton (appointed 6th January 2020) D W Rabelink (appointed 6th January 2020)
Secretary	D C Morris
Company number	05455240
Registered office	Swire House 59 Buckingham Gate, London, SW1E 6AJ
Auditor	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
Banker	HSBC Bank Plc 141 Bothwell Street Glasgow G2 7EQ

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activity and business review

The principal activity of the company is a waste to energy feedstock preparation and biodiesel manufacturing and distribution business, operating from a plant near Ellesmere Port in England. The Company processes FOG's (fats oils and greases) from sewer waste, food waste, tallow, UCO (used cooking oil) and other waste oils to produce biodiesel, a renewable form of energy.

Construction of the 75,000 tonne capacity biodiesel facility was completed during 2017. There were 65,000 tonnes of biodiesel produced in the year *(2018: 67,000).*

The Company is part of the Argent Energy group, headed by Argent Energy Holdings Limited. In addition to having a strong stand-alone balance sheet and business prospects, the Company is ultimately wholly owned by John Swire & Sons Limited and therefore has access to the resources required to fund ongoing operations and any future expansion of the business.

The directors have reviewed the Group's forecasts and projections taking account of normal fluctuations in trading performance and the potential impact of Covid 19, and believe the Company is well placed to manage its financial position. The potential impact of Covid 19 is discussed further in the future events section of the Directors' Report.

As part of a simplification of the legal entity structure of its UK operations, on 1st January 2019, the trade and assets of Argent Oil Terminal Limited were transferred to Argent Energy Limited.

Key financial and non-financial performance indicators include the following:

	2019	2018	Measure
Financial			
Gross Margin	**0.2%**	(0.8%)	Gross profit (loss) /turnover
Operating Margin	**(2.3%)**	(4%)	Operating profit (loss) /turnover
EBITDA	**(£2.1m)**	(£8.7m)	Operating (Loss) before Depreciation
Non-financial			
Production (litres)	**75m**	77m	Litres produced in the year

Principal business risks

The principal risks and uncertainties affecting the business and development plans include the following:

Covid-19: The Covid-19 pandemic has impacted on the pricing and demand for fuel products as well as operations and supply chains across the world. The Company has undertaken a comprehensive assessment of risks associated with Covid-19, including both industry and entity risk factors and has implemented corresponding mitigations to minimise their impact on the Company.

Risks of plant failure: the Company's biodiesel plant is operated by a sophisticated software system and controlled by trained and experienced employees. There is no guarantee that human error will not cause the plant to suffer a technical problem.

Raw material availability and prices: the Company monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers. However, the cyclical nature of the feedstock market and any shortages of supply of the feedstock required to manufacture biodiesel may lead to volatile changes in raw material prices.

Dependence on key individuals: the loss of the services of key executive directors and/or technical staff could be disruptive to the Company's development plans and business relationships. While certain of the Company's executive directors, senior management and technical staff have entered into non-compete and non-solicitation agreements, there can be no guarantee that a court would enforce the provisions of these contracts if the Company were to try to enforce them.

Strategic report *(continued)*

Principal business risks *(continued)*

Maintaining and further developing strategic relationships: the Company intends to maintain and pursue additional strategic relationships in order to achieve its targets. However, if it is unsuccessful in maintaining and forming new relationships, or is less successful in doing so than competitors, the Company may find it difficult to achieve its business plan.

Foreign exchange fluctuations: the Company is indirectly exposed to foreign exchange risk, in particular in relation to the US dollar and the Euro. The Company monitors exchange rates and has a

policy of hedging against exposure to material currency fluctuations relating to transactions, whenever appropriate.

Litigation: the Company is subject to litigation from time to time. The outcome of legal action is always uncertain and there is always the risk that it may prove more costly and time consuming than expected. There is a risk that litigation could be instigated in the future, which could materially impact the Company.

Environmental risks: the Company places considerable emphasis upon environmental compliance in its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.

Health and Safety: the Company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

Directors' Section 172 Statement:
The board of directors have collectively and individually promoted the company's success for its shareholders during the financial year ending 31st December 2019. Working together, we continue to develop our strategy and processes to serve the sustainable fuel market and secure the long-term growth of the Argent group of companies.

Our purpose, strategy and consideration of the long-term consequences of decisions:
Our short-term strategy has been developed to provide clarity on critical business objectives and the key measures of success, delivering increased profitability from our existing portfolio. The Group's leadership teams have been restructured to bring about clear ownership and delivery of these objectives, enabling the executive committee to focus on creation of an integrated longer-term strategy to deliver business growth through new markets and alternative technologies. A decision was made by the Group to invest in substantial growth of our Amsterdam facility.

Engaging with employees:
Employee safety and well-being remains our top priority. During the year, Argent values and behaviours were developed and shared across the Group. We celebrate good examples of this through reward and recognition. We also delivered improved communication through several new mediums including townhall sessions, a published performance dashboard and monthly newsletters.

Fostering business relationships with suppliers, customers and others:
Relationships with the supply chain are key to securing continued supplies of various waste-streams for processing into biodiesel. We have actively expanded our reach to seek out and develop a wider network of relationships.

Delivering quality product to valued customers remains a critical success factor. The creation of a Commercial Director role demonstrates our commitment in this arena.

The business also established new relationships with the banking community to seek third party investors and restructure our long-term debt.

The move into a new head office has established a corporate facility where meetings with key stakeholders and visitors can take place.

Operational impact on community and environment:
Argent remains respectful of the communities in which it operates. Our objectives and key performance measures consider our impact on the environment. We actively support other businesses with a commitment to sustainability through our approach to procurement.

Maintaining a reputation for high standards of business conduct:
The board of directors are committed to behaving responsibly and maintaining the reputation of the business through impeccable conduct and good governance. We expect the same high standards of our workforce. During 2019 the Code of Conduct was reviewed, updated and re-issued as a reminder to all employees.

Behaving responsibly to our shareholders:
The board of directors behaves responsibly to its shareholder through good governance, sharing high quality information and conducting regular meetings at all of our sites.

Financial instruments

The directors will continue to act in accordance with the policy on financial instruments to reflect the ongoing requirements of the business.

By order of the board

A W Dane
Director
26 June 2020

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2019.

Results and dividends

The operating loss for the year before depreciation amounted to £8,429,000 *(2018: £13,310,000).*

EBITDA (defined as operating loss before depreciation) was £2,100,000 *(2018: £8,700,000).*

No dividend was paid during the year *(2018: £nil).*

Directors

The directors who held office during the year and to the date of this report are as follows:

A W Dane (appointed 12th March 2019)
N Dean (appointed 12th March 2019)
E P Rietkerk (appointed 12th March 2019)
H Matthews (appointed 12th March 2019)
D W Posnett (appointed 12th March 2019)
M W Scott (appointed 12th March 2019)
J A R Boyd (resigned 12th March 2019)
J B Rae-Smith (resigned 12th March 2019)
C H Acton (appointed 6th January 2020)
D W Rabelink (appointed 6th January 2020)

Employees

The Company takes its responsibilities to its employees seriously. It is committed to equality and opportunity and aims to treat all of its employees fairly in every aspect of employment. It is committed to giving employees the opportunity to maximise their potential.

Environmental policy

The Company regards compliance with relevant environmental laws and the adoption of responsible standards as integral parts of its business operations. It is also committed to introducing measures to limit any adverse effects its business may have on the environment and will promote continuous improvement in accordance with the best available techniques.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Political contributions

No contributions to charitable or political organisations were made during the year *(2018: £nil)* nor was any political expenditure incurred *(2018: £nil).*

Engagement with suppliers, customers and others in a business relationship with the company

Relationships with the supply chain are key to securing continued supplies of various waste-streams for processing into biodiesel. We have actively expanded our reach to seek out and develop a wider network of relationships.

Delivering quality product to valued customers remains a critical success factor. The creation of a Commercial Director role demonstrates our commitment in this arena.

The business also established new relationships with the banking community to seek third party investors and restructure our long-term debt.

The move into a new head office has established a corporate facility where meetings with key stakeholders and visitors can take place.

Directors' report *(continued)*

Legal Entity Simplification and Balance Sheet Restructure

As part of a simplification of the legal entity structure of its UK operations, on 1st January 2019, the trade and assets of Argent Oil Terminal Limited were transferred to Argent Energy Limited.

In addition, during January 2019, a £115,000,000 intercompany loan was converted into equity.

Future Events

Covid-19:

The Company has undertaken a comprehensive assessment of risks associated with Covid-19, including both industry and entity risk factors. Specific areas considered included customers, counterparty, supply chain, employees, financing, regulation and other relevant factors.

These risks, together with their corresponding mitigations have been discussed and addressed by both the executive management team and the board of the parent company, Argent Energy Holdings Limited.

The operations of the business have not been materially impacted by the pandemic and biodiesel production in the first four months of 2020 of 30m litres, was 2m litres ahead of budget and was 6.5m litres ahead of the same period in 2019.

Brexit:

The Company has considered the potential impacts from Brexit in the following key areas:

Impact of Brexit on Sales – Any additional trade tariffs with the EU will mean that Argent's bulk sales are disadvantaged against continental competitors. Concurrently it should improve domestic competitiveness. However the supply of biofuel into the UK post-Brexit that is dumped, subsidised or benefitting from a differential export tax regime, not mitigated by anti-dumping or countervailing duties and therefore depressing market prices of Argent bulk biodiesel in UK, could adversely affect Argent. The risk of losing the protection of countervailing duties against subsidised imports from the point of Brexit has been largely mitigated by an agreement by the UK government to rollover the relevant duties into UK law at that time. The Department of Industry and Trade has also set up a Trade Defence Unit that will be responsible for investigating and, where necessary, imposing measures against any future dumped or subsidised imports.

Impact of Brexit on Sourcing - Increasing feedstocks are being imported internationally. Increased trade tariffs will increase the overall feedstock costs for EU material

Renewable Transfer Fuel Obligation ("RTFO"): We do not expect the RTFO to be impacted by Brexit, despite the fact that it implements EU renewable fuel requirements. The UK has its own Climate Change Act setting binding carbon emission reductions and RTFO policy is considered the optimum way of achieving these reductions in the road transport sector.

The Company continues to monitor the situation closely.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A W Dane
Director

Swire House,
59 Buckingham Gate,
London, SW1E 6AJ
26 June 2020

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the members of Argent Energy Limited

Opinion

We have audited the financial statements of Argent Energy Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss account, the Balance sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

KPMG

Independent auditor's report to the members of Argent Energy Limited
(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

BMarks.

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street, Glasgow, G2 5AS

26 June 2020

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2019

	Note	**2019**	2018
		£000	£000
Turnover	*2*	**357,984**	332,550
Cost of sales		**(357,196)**	(335,235)
Gross profit/ (loss)		**788**	(2,685)
Distribution costs		**(8,239)**	(7,589)
Administrative expenses		**(1,926)**	(3,757)
Other operating income		**948**	721
Operating loss	*3*	**(8,429)**	(13,310)
Interest payable and similar expenses	*5*	**(1,964)**	(1,235)
Interest receivable and similar	*6*	**140**	196
Loss before taxation		**(10,253)**	(14,349)
Taxation	*7*	**370**	2,473
Loss for the financial year		**(9,883)**	(11,876)

The results for the year are derived wholly from continuing operations.

The company had no Other Comprehensive Income during the year other than the loss as set out above.

Notes on pages 12 to 23 form part of these financial statements.

Balance sheet
as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	8	**99,821**	64,148
Goodwill	9	**4,850**	-
		104,671	64,148
Current assets			
Intangible Assets	*10*	**5,712**	1,772
Stocks	*11*	**20,480**	17,411
Debtors	*12*	**47,746**	146,018
Cash in hand		**3,724**	7,080
		77,662	172,281
Creditors: amounts falling due within one year	*13*	**(103,538)**	(262,751)
Net current (liabilities)/assets		**(25,876)**	(90,470)
Total assets less current liabilities		**78,795**	(26,322)
Net assets/(liabilities)		**78,795**	**(26,322)**
Capital and reserves			
Called up share capital	*14*	**115,000**	-
Profit and loss account		**(36,205)**	(26,322)
Shareholders' funds		**78,795**	(26,322)

Notes on pages 12 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 26 June 2020 and were signed on its behalf by:

A W Dane
Director

Company registered number: 05455240

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	-	(14,446)	(14,446)
Total comprehensive income for the year			
Loss for the financial year	-	(11,876)	(11,876)
Total comprehensive loss for the year	-	(11,876)	(11,876)
Balance at 31 December 2018	**-**	**(26,322)**	**(26,322)**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	-	(26,322)	(26,322)
Issued Share Capital	115,000	-	115,000
Total comprehensive income for the year			
Loss for the financial year	-	(9,883)	(9,883)
Total comprehensive loss for the year	-	(9,883)	(9,883)
Balance at 31 December 2019	**115,000**	**(36,205)**	**78,795**

The Notes on pages 12 to 23 from part of these financial statements.

During January 2019, a £115,000,000 intercompany loan was converted into equity.

Notes

(forming part of the financial statements)

1 Accounting policies

Argent Energy Limited (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is 05455240.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, John Swire & Sons Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of John Swire & Sons Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 59 Buckingham Gate, London, SW1E 6AJ.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations of tangible fixed assets.
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of John Swire & Sons Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

Notwithstanding net current liabilities of £25,876,000 as at 31 December 2019 and a loss for the year then ended of £9,883,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent, Argent Energy Holdings Limited to meet its liabilities as they fall due for that period. These forecasts have subsequently been stress-tested to include severe but plausible downsides to reflect the impact of the COVID-19 crisis which have taken into account reductions in revenue and the increased costs that the Company is likely to incur in order to maintain the continuity of business. Argent Energy Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors have considered the impact of COVID-19 and are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under the finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The Land on which the plants are located is leased from Essar Oil UK Limited on a 25 year lease. Owned land is not depreciated. The estimated useful lives are as follows:

- Buildings - over 25 years
- Plant, machinery and vehicles - over 4 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Intangible assets

The Company has utilised the Renewable Transport Fuel Obligation (RTFO) scheme since the Company commenced trading. It is able to obtain certificates for every litre of biodiesel it sells duty paid for transport use. These certificates can be sold to obligated parties who have a shortfall in the reporting period.

Certificates generated during the period are recognised at market value. Certificates for which there is no active market are not recognised.

Research and development
Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.9 Stock

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10 Revenue recognition

Revenue is recorded at the fair value of the consideration received or receivable for sale of goods and services in the ordinary nature of business. Revenue is shown net of Value Added Tax of goods and services provided to customers.

1.11 Expenses

Interest receivable and Interest payable
Interest payable and similar charges include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.14 Borrowings

Borrowings are initially stated at the fair value of the consideration received. Finance costs are charged to the profit and loss account over the term of the borrowings so as to represent a constant proportion of the balance of capital repayments outstanding. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than twelve months are included in accrued charges within current liabilities. For all other borrowings, accrued finance charges and issue costs are added to the carrying value of those borrowings.

1.15 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1.16 Changes in accounting policies

In these financial statements the Company has changed its accounting policies in the following areas:

IFRS 16 has been applied from 1 January 2019 and requires that upon lease commencement, for all leases, a lessee recognises a right-of-use asset and a lease liability subject to two exemptions ('low-value assets' and short-term leases). This has resulted in the Company's operating leases being reflected as an asset as shown in Note 8 below, with a corresponding lease liability.

Notes *(continued)*

2 Turnover

Turnover is attributable to one continuing activity, namely the production of renewable forms of energy. All turnover arises from the Company's principle activity in the United Kingdom. Turnover by destination is analysed below based on customer location:

	2019 £000	2018 £000
United Kingdom	**321,042**	275,343
Europe	**36,942**	57,207
	357,984	332,550

3 Expenses and auditor's remuneration

Included in the loss are the following:

	2019 £000	2018 £000
Depreciation	**6,350**	4,637
Foreign exchange (gain)/loss	**1,554**	(150)

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	**32**	32
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**-**	-

4 Staff numbers and costs

The average number of persons employed by the Company (excluding directors) during the year, analysed by category, was as follows:

	Number of employees 2019	2018
Production and distribution	**114**	80
Management and administration	**35**	20
	149	100

The increase in part reflects the transfer of Argent Oil Terminal Ltd employees to Argent Energy Ltd during the year.

Notes *(continued)*

4 Staff numbers and costs (*continued)*

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**5,825**	3,717
Social security costs	**646**	579
Other pension costs	**209**	156
	6,680	4,452

The total remuneration received by directors during the year was £1,024,708 *(2018: £222,879)*. This value is for 6 directors *(2018: 3)*, all of whom are remunerated via another Group company in the year. A value for allocation of services to the Company for these directors cannot be determined, therefore the above value reflects the remuneration they received for services to the Group as a whole.

5 Interest payable and similar expenses

	2019	2018
	£000	£000
Other interest – Bank	**212**	82
Other interest – Group	**198**	1,153
Net foreign exchange loss	**1,554**	-
	1,964	1,235

6 Interest receivable and similar income

	2019	2018
	£000	£000
Interest receivable on bank	**140**	46
Net foreign exchange gain	**-**	150
	140	196

Notes *(continued)*

7 Taxation

Total tax expense recognised in the profit and loss account

	2019	**2019**	2018	2018
	£000	**£000**	£000	£000
Current tax:				
Current tax on income for the period		**-**		(3,478)
Adjustment in respect of prior year		**3,161**		3,242
Total current tax		**3,161**		(236)
Deferred tax (see note 15):				
Origination and reversal of timing differences	**(776)**		930	
Adjustment in respect of prior periods	**(2,851)**		(3,069)	
Adjustments in tax rate	**96**		(98)	
Total deferred tax		**(3,531)**		(2,237)
Total tax		**(370)**		(2,473)

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Loss for the year	**(9,883)**	(11,876)
Total tax credit	**(370)**	(2,473)
Loss excluding taxation	**(10,253)**	(14,349)
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**(1,948)**	(2,727)
Under/(over) provided in prior years	**310**	173
Other	**1,268**	81
Total tax (credit)/expense included in profit or loss	**(370)**	(2,473)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

Notes *(continued)*

8 Tangible fixed assets

	Plant and machinery £'000
Cost	
Balance at 1 January 2019	70,740
Intragroup Transfer of Assets	23,552
Transfer from Fellow Group Company	15,144
Additions	5,103
Balance at 31 December 2019	114,539
Depreciation	
Balance at 1 January 2019	(6,592)
Intragroup Transfer of Assets	(1,776)
Depreciation charge for the year	(6,350)
Balance at 31 December 2019	(14,718)
Net book value	
At 31 December 2019	**99,821**
At 1 January 2019	64,148

Transfer from fellow group company relates to the final transfer of fixed assets relating to the Stanlow Production Facilities from Argent Energy UK Ltd.
Intragroup Transfer (within cost & depreciation) relates to the net assets of Argent Oil Terminal Ltd being transferred to Argent Energy Ltd in January 2019.
Additions includes the £2.5m impact of the recognition of leased assets in accordance with the adoption of IFRS 16.

9 Goodwill

	2019 £'000	2018 £'000
Goodwill	4,850	-
At 31 December 2019	**4,850**	-

Goodwill represents an amount transferred from Argent Oil Terminal Ltd during the year.

10 Intangible assets

	2019 £'000	2018 £'000
Certificates	5,712	1,772
At 31 December 2019	**5,712**	**1,772**

Certificates consist of Renewable Transport Fuel Obligation (RTFO) certificates obtained by the Company as a result of biodiesel sold duty paid for transport use. These certificates are recorded as current assets where they are anticipated to be sold within twelve months from the balance sheet date.

Notes *(continued)*

11 Stocks

	2019	2018
	£000	£000
Raw materials and consumables	**5,553**	2,035
Work in progress	**956**	833
Finished goods	**13,971**	14,543
	20,480	17,411

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £317,449,866 (*2018: £312,056,685).* The write-down of stocks to net realisable value amounted to £nil *(2018: £nil).*

12 Debtors

	2019	2018
	£000	£000
Amounts due within one year:		
Trade debtors	**26,807**	28,879
Prepayments and accrued income	**6,493**	2,499
Taxation and social security	**1,195**	2,591
Deferred Tax Asset	**3,797**	481
Corporation Tax Asset	**2,904**	5,210
Amounts due from group undertakings	**6,550**	106,358
	47,746	146,018

13 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank overdraft	**-**	-
Trade creditors	**9,092**	1,760
Accruals	**6,647**	24,775
Other Creditors	**3,841**	-
Amounts due to group undertakings	**83,958**	236,216
Deferred Tax	**-**	-
	103,538	262,751

Notes *(continued)*

14 Capital and reserves

	2019	2018
	£	£
Allotted, called up and fully paid		
1 ordinary share of £1	**115,000,001**	1
Shares classified as liabilities	**-**	-
Shares classified in shareholders' funds	**115,000,001**	1
	115,000,001	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Increase in the year relates to £115m of intercompany loans being converted to equity.

15 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Depreciation in excess of capital allowances	**3,797**	481	**-**	-	**3,797**	481

16 Employee benefits

The pension cost charged for the year represents contributions payable by the Company to employees' defined contribution personal pension plans. The total pension cost charge for the year amount to £194,000 (*2018*: *£156,156*). There were no outstanding or prepaid contributions at year end.

17 Related parties

Identity of related parties with which the Company has transacted

The company is a wholly owned subsidiary of Argent Energy Holdings Limited, who are 100% owned by John Swire & Sons Limited. As the results of the Company are consolidated into the results of the group headed by John Swire & Sons Limited only, they are not exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by John Swire & Sons Limited. Transactions with related parties, being fellow subsidiaries of the John Swire & Sons group, are summarised below.

Some raw materials and finished goods have been bought from or sold to Argent Energy (UK) Limited on an arms length basis during the year. Argent Energy (UK) Limited has also provided some central shared service support to Argent Energy Limited (including finance, HR, H&S and other management services) during the year.

Notes *(continued)*

17 Related parties *(continued)*

	Receivables outstanding 2019 £000	2018 £000	**Creditors outstanding 2019 £000**	2018 £000
John Swire & Sons Limited	**-**	-		115,000
Transactions with subsidiaries within the Argent group	**6,550**	106,358	**83,958**	121,216

	Sales 2019 £000	2018 £000	**Purchases 2019 £000**	2018 £000
John Swire & Sons Limited	**-**	-	**-**	-
Transactions with subsidiaries within the Argent group	**1,939**	8,324	**42,926**	32,576

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Argent Energy Holdings Limited. The ultimate controlling party is John Swire & Sons Limited.

The results of the Company are consolidated into the results of the group headed by John Swire & Sons Limited, incorporated in England. No other group financial statements include the results of the Company. The consolidated financial statements are available to the public and may be obtained from 59 Buckingham Gate, London, SW1E 6AJ.

19 Accounting estimates and judgements

Critical accounting judgements in applying the Company's accounting policies

The company believes that there are no areas of material uncertainty which affect the financial statements.

20 Subsequent Events

The financial reporting effects of the COVID-19 outbreak are deemed to be non-adjusting events within these accounts.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including the potential impact of Covid-19, the company will have sufficient funds, including where required through funding from its immediate parent.